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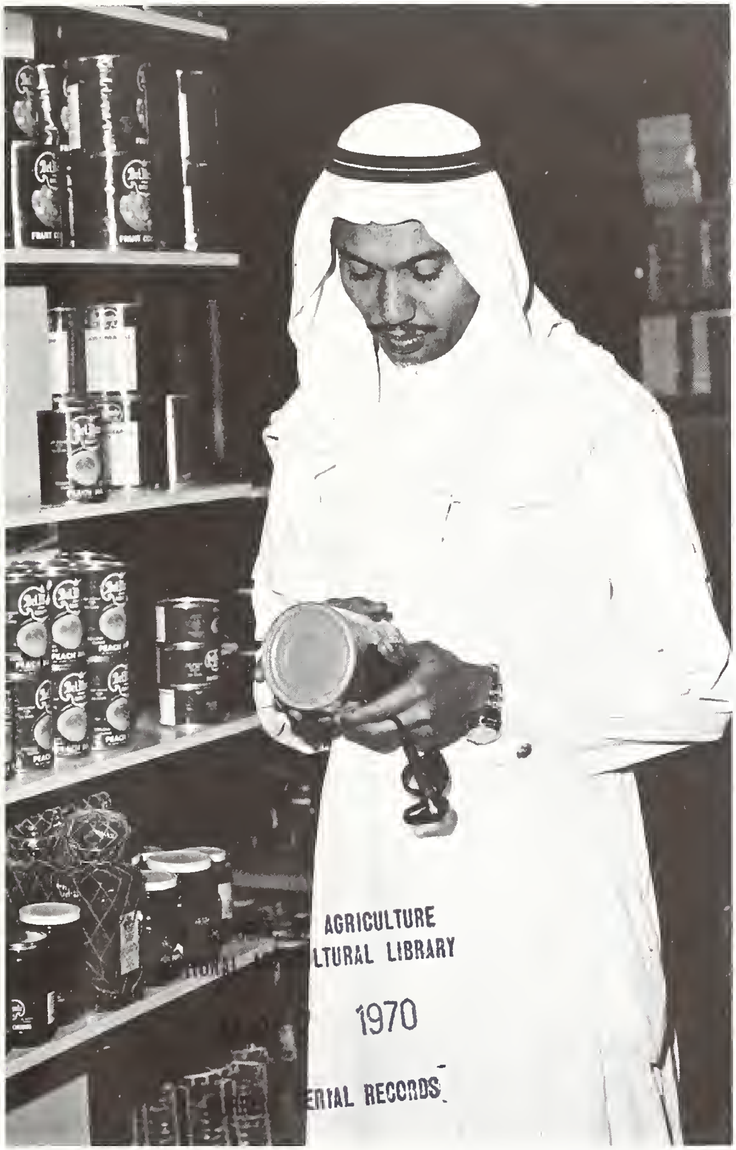
FOREIGN AGRICULTURE



May 4, 1970

U.S. Farm Sales to European Community
First U.S. Food Promotions in Arabian Peninsula

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

FOREIGN AGRICULTURE

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This week's cover:

The Arabian Peninsula—a study in contrast. Many nomads still eke out their existence in the desert while city residents shop in modern supermarkets. Here, a shopper in Jeddah, Saudi Arabia, examines a can of U.S. peaches. Many more U.S. food products will be available in both Kuwait and Saudi Arabia as the result of U.S. food promotions recently held in those countries.

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U.S. Farm Export

By DEWAIN H. RAHE
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For the third consecutive year, American agricultural producers saw their income from the sale of U.S. farm products imported into the European Community fall; exports went from a 1966 high of $1,564.2 million to $1,268.6 million in calendar year 1969. Sales of commodities subject to variable levies dropped progressively from $641.9 million in 1966 to $339.5 million in 1969; sales of commodities not subject to the variable levies, on the other hand, increased from $922.2 million to $929.0 million in the same period.

The variable-levy system imposed on selected imported commodities is basically the difference between the c. i. f. import price and the target price set on the EC market. High support prices had encourage the rapid growth in EC production of dairy products, poultry, wheat, sugar, and feed grains.

Commodities subject to variable levies

American exports which fall under the variable levies are feed grains, rice, rye, wheat and wheat flour, meats—beef, veal, and pork—lard for food purposes, dairy products, and poultry and eggs.

Exports of corn, grain sorghums, and wheat fell substantially. Corn fell from $340.2 million in 1966 to $219.0 million in 1969, a drop of $121.2 million. Grain sorghum amounted to $82.3 million in 1966, but dropped by $76.5 million by 1969; wheat sales were down by $49.8 million to $56.1 million in the same three-year-period.

Feed grains. Feed grains imported into the EC declined by one-third (1968 compared to 1969) and reflected reduced shipments to all six EC nations. Total tonnage went down by 2.5 million metric tons and value decreased by $110.6 million. The table below gives these statistics in greater detail. The Netherlands, the United States' largest EC market for feed grains, reduced its shipments by 1.2 million tons. This reduction not only affected the Netherlands but also countries to which it transships a substantial part of its grain imports.

But even as U.S. feed grain exports into the EC declined, feed grain shipments from one EC member to another increased. Intra-EC grain shipments were well above the 3.2 million tons shipped in 1968, with France shipping the largest portion—3.5 million tons, or about three-fourths of the total. Despite this increase in intra-EC shipments, the Common Market does not grow sufficient feed grains to meet its needs.

Prices of feed grains are high in the EC because of the variable levies and high support prices. These have caused EC feed manufacturers to bypass the use of American feed grains and turn to other cheaper ingredients for their products. These include beet pulp, cassava, various corn byproducts (particularly corn gluten feed), and other grain byproducts. The use of these substitutes has caused a sharp increase in the sale of U.S. corn byproducts which went to $38 million in 1969, up from $29 million in 1968

The Netherlands imports most of the U.S. corn byproducts shipped into the EC. It has developed a highly successful

ɔ EC Drop for Third Year in Row

and economic feed formula based on corn gluten. At the same time, however, the EC is increasing its own feed grain production which went from 31.3 million tons in 1968 to 32 million in 1969. This compared with a 1960-64 average of 23.4 million tons. Although the area under production has risen only slightly, a one-fifth increase in yield has resulted from the increased use of fertilizer, of improved seeds, and of better cultivating practices.

Wheat. Imports of American wheat into the EC dropped by one-third in the period 1968-69, going from $82.9 million in 1968 to $56.1 million one year later. The decline was most noticeable in shipments to the Netherlands and West Germany; however, in 1969, shipments to all EC countries were down from the previous year. American exports to the EC consist of high quality, high protein wheat which is blended with indigenous EC wheat, and durum—a large quantity of which is imported by France and Italy for use in pastry products.

EC wheat production has increased at an annual rate of about 5 percent for the past 7 years. Last year the EC harvested 31.6 million tons, 2 percent below the 1968 production figure, but one-fifth above the 1960-64 average. Besides providing for its own internal needs, the EC, particularly France, exports considerable wheat—most of it soft wheat—to non-EC countries. In 1969, total EC wheat exports were 7.8 million tons; 6 million tons of this came from France. An estimated additional 4 million tons was denatured and used for feed wheat.

Rice. Rice was the one exception among the grains. Whereas all the other U.S. grains showed a decline in exports, rice climbed about 11 percent from the 1968 total to $31 million. The 1969 figure marked a record high. Although some rice is grown in France and Italy, most EC consumers prefer long-grained rice of the type grown in the United States.

Poultry. The EC is now self-sufficient in the production of chicken meat, a condition directly attributable to the imposition of high variable levies, and supplementary levies, on poultry and poultry products. In the Netherlands, for instance, poultry production has increased at an annual rate of 14 percent since 1962. As a result of this growth in EC production capability, combined with high levies placed on imports, U.S. exports to the Community continue to decline.

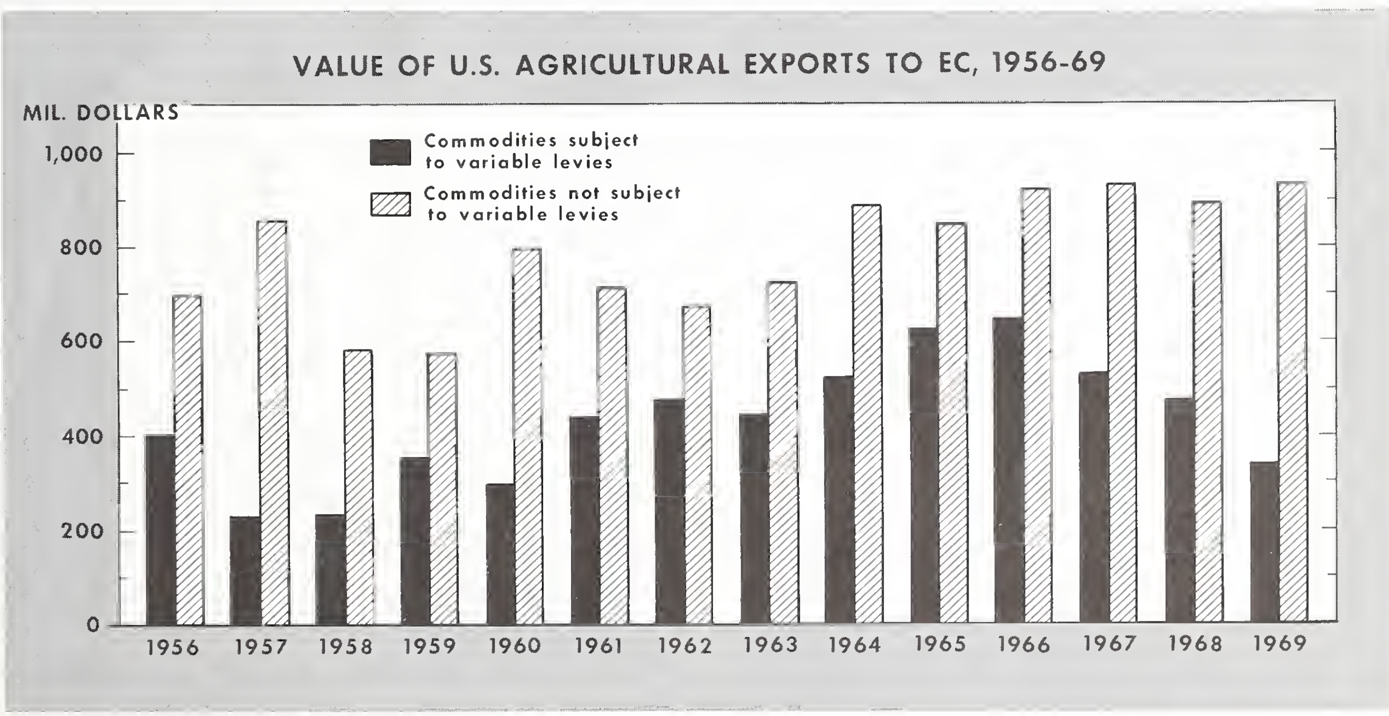
U.S. sales of poultry and poultry products to the EC reached a peak of $53 million in 1962, prior to the establishment of the variable-levy system. The 1969 figure had dropped to $12.9 million.

Commodities not subject to variable levies

In contrast to the dark picture concerning the sale of American farm products subject to EC variable levies, the picture has its bright side. The sale of commodities not subject to variable levies increased by $36.8 million from 1968 to a 1969 high of $929.0 million. This is 4 percent over the previous year's level of $892.2 million. Exports of oilseeds and oilseed products, tobacco, hides and skins, variety meats, and fruits and vegetables all increased. Oilseeds and oilseed products accounted for 54 percent of the 1969 total. Tobacco exports accounted for another 16 percent.

Oilseeds and oilseed products. American exports of oilseeds and oilseed products to the EC have shown an annual increase of 12 percent since 1962. Soybean sales in 1969 totaled $277 million, only 2 percent more than in 1968. The tonnage of soybeans sold to bring in this sum was greater than the value of increase would indicate; unit prices in the past year have declined but tonnage sales have gone up.

There has been a substantial increase in EC demand for



protein meal. This is partly due to increased substitutions of protein meal for other more excessively expensive ingredients in animal rations; other reasons are the lower prices for U.S. soybeans and oil meal, and reduced output of other protein meal, especially peanut meal and fish meal.

(There is one discouraging note for the producer of soybeans and soybean products, however. The EC is studying the possibility of imposing a tax of $30 a ton on soybean meal and $60 a ton on oil. This tax, if enacted, would encourage substitution of other feed ingredients for soybean meal and other fats and oils for soybean oil. This would have a deleterious effect on American soybean sales.)

Total vegetable oil exports gained slightly in 1969. This is in large part attributable to an increase in cottonseed oil sales which went from $261,000 in 1968 to $4.2 million a year later. Cottonseed oil is a preferred oil in the EC.

Cotton. In contrast to the increased sales of most commodities not subject to variable levies, EC purchases of American cotton have been falling off for the past two years. This resulted from a number of concomitant factors. A decline in American production of cotton took place at the same time production of this fiber increased in other free world nations, and at the same time cloth manufacturers in the EC were increasing their use of manmade fibers. The seriousness of the situation can be underlined by several figures: in 1968, EC production of manmade fibers totaled 3,268.6 million pounds (the equivalent to 10 million bales of cotton), and U.S. income from the sale of cotton to the EC dropped by $32.8 million, from $56.4 million in 1968 to $23.6 million in 1969.

Tobacco. Tobacco followed the pattern that is apparent for most of the commodities not under the variable-levy structure: 1969 tobacco sales to EC countries were up 16 percent over 1968 sales—from $128.4 million to $149.0 million. The increase was because of two important factors: a larger percentage of the 1969 tobacco purchase consisted of higher priced stemmed tobacco; and there was a general improvement in the quality of the tobacco crop with resultant higher prices.

Rhodesia, against which the United Nations has imposed economic sanctions, grows tobacco as its main export crop. Before the sanctions were imposed, that country sold as much as $43 million worth of tobacco to the EC. With that source of supply restricted, American sales went up. Another important factor is that EC tobacco users have a personal preference for the American leaf.

West Germany and the Netherlands are the two largest EC purchasers of American tobacco. In 1969, West Germany bought $90 million worth of American leaf; the Netherlands took $23 million worth. This, however, represents a sale worth $30 million, $7 million less than the Dutch market absorbed in 1968.

Hides and skins. Sales of U.S. hides and skins in 1969 increased 11 percent over 1968 to a total of $24 million. Despite an increased use of synthetic products, the demand for leather is still great. In addition, American hides and skins were priced at attractive levels in 1969. West Germany—our largest market—accounted for $9 million worth in 1969, an increase of 12 percent from a year earlier.

Fruits and vegetables. Here a major percentage gain was recorded. The increase was 35 percent, bringing the 1969 total to $83 million. There were increases in the sales of oranges, dried fruits, canned fruits, and fruit juices. The major contributing factor was a bumper Florida orange crop, as well as larger supplies and lower prices in other fruit categories.

FEED GRAIN EXPORTS TO EUROPEAN COMMUNITY [1]

Country	Quantity 1968	Quantity 1969	Value 1968	Value 1969	Change
	1,000 metric tons	*1,000 metric tons*	*1,000 dollars*	*1,000 dollars*	*Percent*
Netherlands	2,803	1,683	134,947	85,394	−37
West Germany	1,288	701	64,876	36,574	−44
Belgium-Luxembourg	655	643	31,670	32,776	+3
France	235	74	11,985	3,877	−78
Italy	1,866	1,286	93,911	68,151	−27
Total	6,847	4,387	337,389	226,720	−32

[1] Excludes corn seed and corn for relief and charity.

Drought Cuts Rhodesian Crop Yields

The bumper harvest which was anticipated in Rhodesia in December now appears to have diminished significantly as a result of the prolonged drought. The current season's corn crop will probably not exceed 700,000 short tons, 200,000 tons less than the previous forecast and about 40 percent below last year's record volume which was estimated at 1.2 million short tons. In the highly productive corn region north and west of Salisbury—embracing the Sinoia, Karoi, Mazoe, and Umvukwes districts—farmers who normally reap from 20 to 35 bags (1 bag weighs 200 lb.) of corn per acre report that the drought has reduced potential acre yields to about 12 bags. And east of Salisbury—including the Marandellas, Mtoko, and Rusape region—the situation is even worse, with acre yields down to an estimated 7 bags. South of Salisbury in the Midlands and Matabeleland many grain farmers have lost their entire crop.

Wheat and rice production should not be affected by the drought conditions because the bulk of these crops is under irrigation. Wheat production should increase to about 40,000 metric tons, while the rice crop is estimated to be about 5,000 short tons.

Commercial peanut production in 1970 should decline substantially from the original forecast of 45,000 short tons, shelled basis, to slightly more than 35,000 tons, shelled basis. Commercial production in 1969 was 40,000 tons, shelled basis.

Although both the veld and the livestock grazing on it are still in fair condition in most parts of the country, grazing land has lost so much of its nutritive value that cattle are expected to start losing weight in the next month or two.

Nevertheless, even though the bright export picture at the start of this year has faded, the overall agricultural food output is still expected to be adequate for Rhodesia's needs.

Seedcotton production should be between 350 million and 400 million pounds compared with the record estimated output in 1969 of 300 million pounds.

The flue-cured tobacco crop is expected to reach the target volume of 132 million pounds, about the same as last year.

Water supplies remain good throughout the country. However, toward the end of the dry season in September and October shortages may develop.

—Based on dispatch from W. PAUL O'NEILL, JR.
American Consul, Salisbury

First EC-wide pact with a Socialist State

Yugoslavia, EC Sign Baby Beef Agreement

By LINDA A. BERNSTEIN
Foreign Regional Analysis Division, ERS

On March 19, 1970, the European Community (EC) and Yugoslavia signed a 3-year general trade agreement, scheduled to come into force about May 1 of this year.[1] The main effect of the agreement is to insure to Yugoslavia more favorable and more stable conditions for the export of its baby beef into the Community.

This is the first time that the EC, as a whole, has established formal trade relations with a Socialist state. Yugoslavia is the only East European country which recognizes the Community as a single unit. Other East European countries have special arrangements for certain commodities with individual EC countries (e.g., Romania for pork, Poland for eggs and poultry), but the Yugoslav-EC agreement is the first full-scale trade pact. The agreement will replace any incompatible provisions of existing bilateral agreements.

The beef agreement emphasized that the tariff reductions set forth in the accord are to be applied under the most favored nation (MFN) principle, and all GATT members, including Yugoslavia, are eligible for the same concessions. However, the live cattle and beef on which these reductions are to be granted are defined in such detail—in terms of age, weight, and color—that Yugoslavia is the only present or presumptive beneficiary.

Baby beef is marketed at an age of 12-14 months. The weight of each animal is fixed by the trade agreement within a range of 772 to 992 pounds for males and 705 to 926 pounds for females. The color of the meat must be light pink, not red.

Yugoslavia wins levy reductions

Under the terms of the agreement, Yugoslavia won a considerable reduction in the amount of the import levy to be imposed on Yugoslav beef relative to the full import levy the Community imposes on beef from third countries. Apart from the levy, beef is also subject to fixed duties under the Common External Tariff (CXT).

The Community's full levy on beef imports is based on the relationship among three kinds of prices: beef prices on representative markets of the Community; an established orientation price—which is an average price considered desirable for EC producers to receive for all of their output under normal supply and demand conditions, but which is not a guaranteed price; and the calculated import price, which is based on the weighted average of representative prices in the United Kingdom, Ireland, Denmark, and Austria. The levy is a percentage of the difference between the calculated import price, plus duty, and the orientation price. What percentage this will be depends on how much the price in the EC representative markets exceeds the orientation price.

The Community's levy on beef imports from Yugoslavia will be a modification of the full levy, depending on the season and the relationship between the price on representative EC markets and the orientation price. If the EC market price is at least 98 percent of the orientation price but does not exceed it, the amount of the levy imposed on Yugoslav beef will not exceed 80 percent of the full levy during the period August 15-January 31, or 75 percent of the full levy during the period February 1-August 14. During the latter period, Community meat supplies are lower and market prices are relatively high.

The levy reductions are dependent on the observance of certain minimum prices by Yugoslavia. After 2 years, Yugoslavia will lose some of its advantage when it must pay a levy that is 5 percent higher than at present. A special safeguard clause is included in the beef protocol, which allows the Community to take necessary measures if its internal market is upset. Application of the clause, however, is not anticipated, because the EC has a beef deficit.

EC is Yugoslavia's chief market

Since the implementation of Yugoslavia's 1965 economic reform program, the Community has become Yugoslavia's most important trading region. Currently, about 46 percent of Yugoslavia's agricultural exports go to the EC. Estimates for 1969 indicate that Yugoslavia's total agricultural exports amounted to $237, of which $110 million went to the EC, including $35 million worth of beef to Italy. Virtually all of Yugoslavia's beef exports to the EC go to Italy. Yugoslavia supplied a yearly average of 8.5 percent of the EC's total beef imports in the period 1966-68.

However, Yugoslavia's total imports from the EC have been increasing faster than exports; and the resulting trade deficit increased from $71 million in 1966 to $350 million in 1968. A contributing factor to this unfavorable balance of trade has been the decline in agricultural products imported into EC countries—dropping from 54 percent in the peak year 1967 to an estimated 46 percent in 1969. The current agreement may help correct this imbalance. (Yugoslavia will also receive help in correcting its trade imbalance because certain import duties envisaged by the Kennedy Round will be applied immediately.)

In 1965, Yugoslavia embarked on a program of economic reform designed to develop a relatively free market in a Communist system. This is in contrast to the rigid controls under a centrally planned economy. Expanding foreign trade and increased agricultural production were major objectives of the reform program. One of the immediate changes introduced under the reform was a sharp upward adjustment of agricultural prices, particularly for corn, wheat, and livestock.

Increased beef exports outgrowth of reforms

In response to the increase in prices, Yugoslavia's corn production increased from the 1963-65 yearly average of 6 million tons to 7.3 million tons in 1966-68. Similarly, wheat production increased from the 3.7-million-ton average in the period 1963-65 to 4.6 million tons in 1966-68. Higher support prices resulted in a boosted beef production; in 1966-68, output increased 27 percent above the 1963-65 level to 241,000 metric tons (carcass weight). As a result of these

[1] See also "EEC Upsets Yugoslav, Danish Beef Exports," *Foreign Agriculture,* Nov. 18, 1968.

favorable increases in grain and beef production, Yugoslavia's export capabilities improved. Total beef exports went from 66,000 tons in 1963-65 to 80,000 tons in 1966-68.

Yugoslavia became more active in the Italian beef market during the transition period when the Common Agricultural Policy (CAP) was being put into effect. Under a bilateral agreement concluded between Italy and Yugoslavia in 1964, Italy agreed to import 40,000 tons of beef annually. The agreement became effective January 1, 1965, and expired December 31, 1967. Beef exports to Italy increased from a yearly average of 25,000 tons in 1962-64 to 45,000 tons in 1965-67, reaching a high of 54,000 tons in 1967.

Beginning July 1, 1968, when the transition period ended, Italy's trade with all third countries, including Yugoslavia, became subject to the EC's CXT. Italy, however, had already placed full levies on beef imports from non-EC countries in December 1967. This had the effect of doubling the import charge on Yugoslav baby beef—from 4.7 to 9.5 cents per pound.

Beef exports to Italy drop sharply

In response to this doubled import charge, Yugoslavia's export of beef to Italy dropped sharply from $56 million in 1967 to $30 million in 1968. Only 32,000 metric tons were exported to Italy in 1968, compared with 54,000 tons a year earlier. Yugoslavia has been negotiating with the EC since October 1968 to reach a new accord on the beef trade. The current agreement, which will go into force in May 1970, is the first readjustment Yugoslavia has been able to get from the Community to regain its lost market.

The new Yugoslav-EC agreement contains the following elements:

- Community importation of beef and cattle;
- application of lower import duty rates for certain Yugoslav industrial products; and
- provisions for joint, rather than unilateral, resolution of any marketing difficulties which might arise.

The agreement established conditions regarding quantities and import levies for the export of baby beef into the EC market. Yugoslav exports are limited to 15 percent more than the 1967-69 average, or about 50,000 tons. If this tonnage does not upset the internal market, even more beef may be exported to the EC. However, a major increase is not expected, because of cutbacks in Yugoslav herds in 1968 and 1969.

Yugoslavia hopes that its current EC agreement will be a step toward assuring a stable, dependable market. The agreement does not yet embrace all aspects of trade between Yugoslavia and the EC. A joint committee has been set up to explore further trade expansion. During the first joint committee meeting, Yugoslavia intends to discuss the possibility of exporting corn, wine, and tobacco to the Community.

YUGOSLAVIA—EXPORTS BY VALUE, 1965-69

Item	1965	1966	1967	1968	1969[1]
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*
Total exports	1,092	1,220	1,252	1,264	1,480
Total agricultural exports	289	304	338	273	237
Agricultural exports to EC	123	145	184	130	110
Total exports of beef, fresh, frozen	69	73	78	62	67
Of which to EC	52	48	58	33	(2)
Of which to Italy	50	41	56	30	35

[1] Preliminary. [2] Not available. United Nations trade data.

YUGOSLAVIA—EXPORTS OF BEEF BY QUANTITY, 1965-69

Item	1965	1966	1967	1968	1969[1]
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Total exports of beef, fresh, frozen	66	76	79	83	73
Of which to EC	45	46	56	35	(2)
Of which to Italy	44	39	54	32	38

[1] Preliminary. [2] Not available. United Nations trade data.

EC LEVIES ON IMPORTS OF BEEF FROM YUGOSLAVIA AND OTHER THIRD COUNTRIES

Item	Difference between calculated import price (plus duty) and orientation price				
		Levy imposed on Yugoslav beef			
	Full levy	Aug. 15-Jan. 31		Feb. 1-Aug. 14	
		1st 2 years	3d year	1st 2 years	3d year
EC representative market price (as percentage of orientation price):	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
98 -100	100	80	85	75	80
100+-102	75	37½	41¼	37½	41¼

Yugoslavia Announces 1970 Subsidies

The Yugoslav Government has announced 1970 subsidies for encouraging production of mineral fertilizers, mill, cotton, and wool. It has also announced funds that are available for reducing sugar costs to the local fruit and vegetable processing industry.

Mineral fertilizers. More than $22.3 million is earmarked to encourage fertilizer production in 1970. Payments will be made on the same basis as last year—6 cents per kilogram of active N in nitrogen fertilizer, and 5.3 cents per kilogram of active P_2O_5 in phosphorus fertilizer. Payments will be made to fertilizer producers for all quantities sold to agricultural producers during the year.

Milk (cow and sheep). Funds for milk premiums (actually bonuses) total $11.8 million. The payment is contingent on milk producers' herds meeting specified butterfat levels—3.2 percent for cows and 4 percent for sheep. The payment varies, being higher for socialized farms than for individual farms. A separate premium is based on production.

Cotton and wool. This year's method of making payments from the $777,744 fund is the same as last year's. Payment for cotton ranges from 4 cents to 4.8 cents per kilo, depending on quality; for wool it ranges from 52 cents to 58.8 cents per kilo and varies with the type of sheep.

The government is also making $281,411 available to reduce sugar costs for the country's fruit and vegetable processing industry. The money will actually go to the Federal Directorate for Food Reserves which imports sugar and sells it to the canning industry at a price lower than its cost. The subsidy is paid to enable Yugoslav processed foods to compete in the world market.

—Based on dispatches from FRANK W. EHMAN
U.S. Agricultural Attaché, Belgrade

Review of Yugoslavia's 1966-70 Development Plan

As the end of Yugoslavia's 1966-70 Development Plan approaches, an examination of projections and actual production figures reveals that production increased greatly for some crops—notably wheat, oilseeds, and sugarbeets—and slipped below expectations for others—especially livestock and products.

Under the Development Plan an annual growth rate of 7.5 to 8.5 percent was forecast for the country's total economy, while agricultural growth was expected to climb between 4.5 and 5.5 percent. During the first 3 years of the Plan the economy as a whole developed at a much slower rate than was forecast, owing to the recession in 1967 and early 1968. Progress resumed in 1969 with good performance in the agricultural sector and an 11-percent increase in industrial output.

Agricultural expansion during the 5-year period was hampered by the following factors: Consumption of certain products developed more slowly than production; the cost of equipment, labor, and other means of production rose faster in the last few years than prices of agricultural products; and sales of Yugoslav beef on foreign markets met with difficulties, causing a decline in prices which also affected the domestic market.

Projections and results

For field crops, stress was mainly placed on increased production of wheat, sunflowerseed, and sugarbeets. Corn production was also scheduled for large increases in order to build up feed supplies and export capacity.

Some of the projections in the Plan were exceeded during the 1966-69 period. The total wheat and rye production reached a record level of 5,015,000 metric tons in 1969, while corn at 7,816,000 metric tons and sunflowerseed at 390,000 metric tons were slightly below the projections. The production increases were largely the result of higher average yields, favorable weather conditions, and improved technology.

Production of livestock, especially high-quality beef and milk, was projected to increase to levels sufficient to meet domestic requirements. The 1970 target for beef production would probably have been reached by now if the exports to Western Europe had not deteriorated. However, because of this situation and drought, cattle numbers declined and this in turn led to a slowdown in milk production. Hog production, according to the Plan, should meet domestic needs by 1970 and supply additional quantities for exports. In 1965 pork production was at a record level because of very high hog numbers, but it appears that the planned 1970 production was somewhat unrealistic.

YUGOSLAVIA'S AGRICULTURAL PRODUCTION

Commodity	1965		1969	1970 (projected)	
	Production	Average yield	production	Production	Average yield
	1,000 metric tons	*Quintals per hectare* [1]	*1,000 metric tons*	*1,000 metric tons*	*Quintals per hectare* [1]
Wheat and rye	3,616	20.5	5,015	4,600	24.0
Corn	5,920	23.1	7,816	8,000	32.0
Sugarbeets	2,620	329.0	3,637	4,200	336.0
Sunflowerseed	265	16.7	390	400	24.2
Fruit and grapes	1,915	—	3,432	2,900	—
Meat total	776	—	686	965	—
Beef and veal	189	[2] 695	230	270	[2] 880
Pork	396	[2] 176	290	450	[2] 210
Milk	2,400	[3] 1,196	2,860	3,200	[3] 1,500

[1] Quintal equals 220.46 lb.; 1 hectare equals 2.471 acres. [2] Live weight. [3] Average annual production per cow.

1969 and the year ahead

The preliminary estimate of total agricultural production in 1969 indicates an increase of 12 percent over 1968. The production of field crops reportedly increased by 16 percent, while livestock production was down about 5 percent from the year before. Excellent soil moisture and weather conditions prevailing generally throughout the winter, spring, and summer and dry weather during the harvest season provided Yugoslavia with large harvests of most crops in 1969.

Foodgrains. In 1969 Yugoslavia produced a record wheat crop of 4.88 million metric tons—from 2,019,000 hectares. This was 12 percent above the 1968 production and 60,000 tons above the previous record set in 1967. High-yielding varieties accounted for 89.9 percent of the wheat crop.

Feedgrains. Production of all feedgrains for 1969 is estimated at 8,583,000 tons—an increase of 14 percent over 1968. The 1969 corn harvest, estimated at 7,816,000 metric tons, or 15 percent over the year before, accounts for most of the increase. The harvests of barley and oats increased by 9,000 tons and 13,000 tons respectively over 1968.

Sugarbeets. The 1969 production of sugarbeets is estimated at 3.64 million metric tons—25 percent above the 1968 production. Total sugar production is estimated at about 470,000 metric tons.

Sunflowerseed. The 1969 sunflowerseed crop is estimated at about 390,000 metric tons—81,000 tons above the record 1968 crop. This amount is sufficient to cover domestic edible oil requirements. In past years, about 70 percent of the total oilseed needs were met by domestic production, while the remaining 30 percent was imported.

Fruits. The 1969 production of Yugoslavia's main fruit—the plum—amounted to an alltime high of 1.3 million metric tons. A preliminary estimate indicates a record apple crop of about 350,000 metric tons, up 45,000 tons from the 1968 harvest. Grape production at 1,492,000 tons is also a record.

Livestock. According to unofficial sources, livestock numbers declined 4 to 5 percent during 1969. During 1968, low market prices and high import barriers imposed by the principal importing countries caused heavy slaughter, resulting in reduced livestock numbers. In 1969, however, lower numbers of live animals and improved export possibilities for lighter categories of cattle brought about a rapid increase in the purchase prices and general improvement in the livestock industry. Throughout 1969 the demand for all categories of livestock was very strong, thus impeding the rebuilding of the livestock herds.

Production of meat in 1969 (beef, pork, mutton, and poultry meat) is unofficially estimated at 686,000 metric tons, a decline of 9 percent from the previous year. Beef production in 1969 is placed at 230,000 tons, or 15 percent below 1968; pork at 290,000 tons, or 10 percent less; mutton 50,000 tons, or 10 percent less; and poultry meat 110,000 tons, or 2.8 percent more.

—Based on dispatch from *Office of U.S. Agricultural Attaché, Belgrade*

A Successful Year of El Salvadoran Agriculture

Near-perfect weather and rainfall, increased acreage of some crops, and stepped-up use of modern cultivation methods and inputs helped agricultural production in El Salvador in 1969 to move ahead on a broad front with only a few products lagging behind the advance.

Increased agricultural output and resulting exports came at an opportune time to carry the country forward during a period of trade disruption immediately following the dispute with Honduras that occurred in July 1969. Good farm earnings and farm trade at present contribute to El Salvador's economic adjustment by supporting increased domestic consumption of both farm products and other goods.

Further, the effects of agricultural gains in 1969 will continue to be felt in 1970 and should give the country a head start on its economic goals for the future.

Export crops

Of the three major agricultural export items, coffee, sugar, and cotton, two are on the upswing, and one is holding at the same level as the previous year.

The 1969-70 coffee crop is estimated at 2.4 million bags of 60 kilograms each, the same as the record 1967-68 output. Growing conditions that were nearly ideal plus improved management practices and greater use of fertilizers were chiefly responsible for the good outturn.

Sugar production for 1969-70 is estimated at 120,000 metric tons compared with 109,000 tons for the previous crop year. In addition to a small increase in the area harvested, abundant rainfall from May through October stimulated sugarcane growth. Again, improved management and production techniques also pushed output.

The cotton crop for 1969-70 is expected to be about equal to that of 1968-69—around 200,000 bales. A better-than-average growing season was offset in part by some flood damage and increased insect activity. Acreage was not expanded because of low prices at the time of planting.

Food crops

Volume food crops, such as corn and beans, showed marked advance; but rice output declined.

Record corn crops were raised in 1969 and the total outturn for the crop year July-June 1969-70 is estimated at 296,000 metric tons—30,000 metric tons greater than the previous record year 1966-67 and 46,000 tons more than production during 1968-69. A combination of an excellent rainfall pattern, increased acreage, more fertilizer use, and improved seed all contributed to the enlarged crop.

Sorghum production also climbed and was 106,800 metric tons in 1969-70 compared to 93,000 tons the previous crop year. Good weather and expanded acreage were the two factors chiefly responsible.

Beans, a staple of El Salvadoran diet, had an estimated outturn of 25,400 metric tons in 1969-70—4,100 tons greater than in the previous crop year. An even larger gain may occur in the coming crop year, since the government is encouraging production to achieve bean self-sufficiency. In the past, quantities were imported from Honduras.

Rice output for 1969-70 is expected to fall to 25,000 metric tons from 51,000 milled tons the previous crop year. In the past few years, rice production had increased; but domestic consumption and export opportunities did not keep pace with the greater supplies and this situation has dampened efforts in rice production.

Agricultural exports

Coffee exports in the October-September 1968-69 trade year totaled nearly 1.8 million bags of 60 kilograms each with a total f.o.b. value of US$91.1 million. Exports during the current trade year are expected to be slightly higher in volume and perhaps considerably higher in value because of increasing world coffee prices.

Present estimates are that El Salvador will have nearly 700,000 bags of coffee in store at the end of the current crop year. A request is pending with the International Coffee Organization (the administrators of the International Coffee Agreement) for a 300,000-bag temporary addition to its shipping quota; if the request is granted El Salvador could have a very profitable coffee trade year.

Cotton exports for the 1969-70 trade year are expected to be about equal to those of the previous year. Of the approximately 200,000 bales of the present crop, about one-fourth is being retained for domestic use and the bulk of the remainder has already been sold to Japan.

Sugar exports for 1969 were approximately 84,500 short tons. About 46,500 short tons went to the United States under the U.S. sugar quota, and another 8,000 tons were shipped to the same destination at world prices for quota-exempt industrial uses. Other sugar buyers were Japan, Finland, and Belgium.

El Salvadoran sugar exports will probably follow a similar pattern in 1970 with the United States as the major recipient. The allocation for the United States for the first quarter of 1970 has already found purchasers and is currently awaiting shipment.

El Salvador's total exports to the United States for U.S. fiscal year 1969 were nearly 37.5 million—about 50 percent greater than during fiscal year 1968 because of increased shipments of coffee and sugar. Export values to the United States can be expected to make further gains in the present fiscal year.

Trade by El Salvador with fellow members of the Central American Common Market (CACM) was partially disrupted by the 1969 dispute between Honduras and El Salvador. Trade with Honduras ceased entirely, and that with Costa Rica and Nicaragua was substantially reduced for several months because of the closure of the Pan American Highway by Honduras to all El Salvadoran commerce. Alternative air and water routes to Costa Rica and Nicaragua have enabled the reestablishment of some traffic. The commodity exports from El Salvador most curtailed during 1969 have been poultry and eggs, fats and oils, and grains (especially rice).

Agricultural trade with Guatemala, El Salvador's chief CACM trading partner, was not seriously affected by the troubles of 1969. And if present trends continue, 1970 may show some increase in agricultural trade between the two countries.

Agricultural imports

The breaking off of trade between Honduras and El Salvador affected incoming shipments of several commodities—for

example, corn, tobacco, dry beans, and pork. El Salvador will try to solve shortfalls of corn, tobacco, and dry beans (formerly imported from Honduras) by increased domestic production. At the same time, commodities such as beans and tobacco will be imported from new sources. Consumption of pork products will probably decline because of less availability and other foods will be substituted.

An important import category is fertilizers and fertilizer ingredients. Data on 1969 purchases are not available, but indications are that imports continued on the upward trend they have shown the past few years. Imports during 1968 totaled 163,935 metric tons and were 22 percent greater than in 1967. Fertilizer purchases are made from both the United States and West Germany.

El Salvadoran imports of U.S. commodities increased in value by nearly $3 million between U.S. fiscal year 1968 and 1969. The push to value increase was greater wheat shipments. However, imports of U.S. wheat during the current fiscal year will probably not reach last year's levels because of an import of 8,000 metric tons of New Zealand wheat plus a donation to El Salvador of 4,000 metric tons of Argentine wheat for feeding refugees. Tallow, the second-ranking U.S. export to El Salvador, is expected to hold steady at 15,000 to 16,000 metric tons per year.

Although weather for agricultural production may not be as perfect in 1970 as it was in 1969, several factors will have a positive influence on production. Increased credit is available for planting food crops, progress continues to be made in fertilizer use, better seed is coming into greater use, weed control is receiving more attention, and acreage planted to some crops is going up.

Sugar acreage, in particular, has been expanded. About 10,000 additional acres were planted to sugar in 1970 and between 3,000 and 5,000 acres were replanted. This acreage will begin to yield in 1970-71 and could increase El Salvador's output of raw sugar by as much as one-fourth.

On the other hand, signs are appearing of lessening availability of vegetable oils. Prices of cottonseed have gone up and experimental plantings of peanuts and safflower have or are being tried. In addition, El Salvador recently imported 5,000 metric tons of soybeans from the United States, and further imports may be made in the near future.

El Salvadorans sell thousands of live cattle to Guatemala each year, but the country does not at present have a beef export industry. Recent legislative steps encouraging private enterprises to build slaughterhouses and newly enacted national sanitary meat laws may launch such an industry in El Salvador.

Further in the future is the fruition of the Zapotitan project, which involved improvement of a naturally fertile but poorly drained area by installing drainage canals, supplementary irrigation, and roads. The area under improvement is about 11,000 acres and would be used chiefly for year-round fruit and vegetable production.

—Based on a dispatch from STANLEY W. PHILLIPS
U.S. Agricultural Attaché, San Salvador

An Examination of Land Reform in Ecuador

Land ownership in Ecuador has traditionally been on an inequitable basis. On July 23, 1964, a basic agrarian reform program was enacted in an effort to correct this situation. On February 26, 1970, the program was amended in an effort to make it more flexible and responsive to the needs of the land-poor in Ecuador. These amendments place the program more closely under the administration of the Minister of Agricultrue, simplify its administration, provide for expropriation of unused privately held property, and give improved access to land for the most impoverished Indian smallholders.

Inequitable land distribution is most evident on the Andean Plateau. Here numerous Indian communities have traditionally lived in a state of semifeudal servitude called *huasipungo*. This system has its roots in the land policies of colonial Spain where title to conquered Indian villages was given to individual conquistadors. The system was not unique to Ecuador, but rather was the common land tenure system throughout the length of the Andean Plateau.

Coastal Ecuador also has problems of land maldistribution but compared with those in the mountains they are small. On the other hand, eastern Ecuador, which contains more than half of the area of the country, is virtually uninhabited and available for settlement. Much of it is, however, a tropical rain forest which produces its own series of obvious problems.

The principal objectives of the 1964 Ecuadoran land reform law were:

- To abolish the huasipungo system by giving Indian families title to those lands which they farm;
- To provide for colonization of the public domain;
- To subdivide government estates for resettlement purposes; and
- To expropriate and subdivide unoccupied public lands.

By the end of 1966, the Ecuadoran Institute of Agrarian Reform and Colonization (IERAC) had delivered 19,000 land titles representing 328,643 acres. Also 7,500 land titles to 657,286 acres were granted for colonization. Unfortunately, the budget came under increasing strain and agrarian reform money was drastically cut. Thus, a once very promising program was slowed to a walk.

The government of President Velasco has decided to give renewed impetus to this program, as shown by the Agrarian Reform Law Amendment of February 26. Giving the program Cabinet level status and allowing the operating agency greater freedom in making contracts are steps in this direction. Using the courts and legal procedures to obtain land for distribution is certainly a commendable step in the direction of sound government. The clarification of the rights of former huasipungeros will be of immediate value in assisting these still impoverished people to improve their condition, as will the ability of the government to confiscate unused farmland.

Despite all the good will, agricultural reform in Ecuador still faces a desperate shortage—money. Until substantial oil revenues begin to flow into the treasury in 1972, massive progress in changing tenure patterns is unlikely.

As in so many undeveloped countries, it is the enormous pressure of unemployed and underemployed workers that is at the root of Ecuador's present difficulties. Unless population growth can be rapidly and effectively brought under control, the results of land reform, no matter how egalitarian, will be nullified. In a small country such as Ecuador, acreage and population must be compatible. —By JOHN D. MCALPINE
Economic Research Service

First U.S. Food Exhibits Enlarge Food Pipeline

Kuwait City, Kuwait, and Jeddah, Saudi Arabia, two chief cities of the oil-rich but agriculturally barren Arabian Peninsula, were the sites of recent U.S. food promotions—the first ever held in that area. Although many American food products can already be found in the modern supermarkets of both Kuwait and Saudi Arabia, this was the first opportunity merchants in these countries have had to view and sample a large array of U.S. foods, and to meet with representatives of U.S. food firms.

Top, Kuwait's Minister of Commerce and Industry, Sheikh Abdulla Jaber Al-Sabah, chats with U.S. Ambassador Walsh on opening night of the U.S. exhibition. Above, Mohamed Bleik, local agent for an American food firm, offers popcorn to a Kuwaiti girl. Below, IAPI's European representative, Ed Driggs, introduces Abdulrahman Al-Gharabally, a local merchant, to U.S. poultry products.

Kuwait

More than 400 Kuwaiti and other Persian Gulf area food merchants and government officials were on hand when Kuwait's Minister of Commerce and Industry, Sheikh Abdulla Jaber Al-Sabah, accompanied by U.S. Ambassador Walsh, officially opened the U.S. food exhibit at the Kuwait Hilton on March 28.

The Institute of American Poultry Industries, U.S. Rice Council, and Millers National Federation as well as 40 U.S. food companies—24 whose products could already be found in Kuwait and 16 whose products were completely new to the market—displayed over 400 items. Among the featured products were frozen turkey, chicken, rice (including some of the newest convenience forms), juices, fruits (frozen, dried, and canned), candies, nuts, and many convenience foods.

Kuwait, perched at the head of the Persian Gulf, is only 6,200 square miles in size but has a per capita income that ranks among the highest in the world. Oil is the reason for this affluence. Because of resources from its vast oil production Kuwait has jumped from a plodding camel economy to one of fantastic riches in just over two decades.

However, although desert lands may be rich in oil they don't produce much food. Kuwait, like most of its Middle East neighbors, must import about 90 percent of its food requirements. And the market is a highly competitive one. Countries all over the globe vie with each other to gain the attention of the increasingly sophisticated and quality-conscious consumer population.

The U.S. exhibit in Kuwait City was so popular that it remained open an extra day and a half—until April 3—in order to allow local merchants time to wrap up business negotiations.

Sales contracts and potential sales of American food products far exceeded expectations. On-the-spot sales were reported at $300,000 and projected sales over the next 12 months are expected to total $10 million. This figure includes anticipated purchases of $6 million by two leading Kuwaiti merchants who are planning to set up food departments in their firms. In addition, many American companies lined up local agents to act as representatives for their products in Kuwait.

Running concurrently with the exhibit at the modern Kuwait hotel was an "American Food Festival" held in the hotel's two dining rooms. Waitresses costumed as cowgirls served U.S. favorites such as roast tom turkey with giblet gravy and cranberry sauce, Long Island duckling, Pennsylvania chicken corn soup, and pumpkin pie to appreciative diners whose normal diet is one of rice and lamb.

Right, visitors to the exhibit in Kuwait City enjoy U.S. foods at a Western-style barbecue. Many also tried favorite U.S. dishes at the "American Foods Festival" held in the hotel's dining rooms.

n Arabian Peninsula
o the Middle East

معرض
المأكولات
الأميركية

Left, a familiar sign at the recent promotions, the Arabic for "U.S. Food Products Exhibit." Above, His Royal Highness Prince Mish'al Bin Abda Aziz, Governor of Mecca Province, opens U.S. exhibit in Jeddah. At right is U.S. Ambassador Eilts.

Saudi Arabia

Merchants from Mecca and Medina and even from as far away as Dammam —1,700 miles across the desert—came to Jeddah, Saudi Arabia, to view the exhibition of American foods April 5-8.

On the opening night of the exhibition His Royal Highness Prince Mish'al Bin Abda Aziz, Governor of Mecca Province, and His Royal Highness Prince Fawwaz, brothers of King Faisal, led some 250 Saudi businessmen, writers, and government officials on a tour of the 23 displays containing more than 200 U.S. food products ranging from popcorn to turkey salami.

American Ambassador Hermann Eilts told the guests that the exhibit showed American recognition of the importance of the Saudi market, the largest market in the Middle East for U.S. food. In expressing gratitude for the U.S. effort Prince Mish'al said, "Let us have more of this type of exhibit to help expand the strong commercial ties between our two countries."

Jeddah, the largest city in Saudi Arabia, lies at the edge of the Red Sea and for the last 1,300 years has been the port of entry into Arabia for Moslems making the pilgrimage to Mecca. Though it is an old city, with traditions completely foreign to those known in the West, there are signs of modernization in Jeddah, such as the supermarkets springing up among the minarets.

Saudi Arabia, like Kuwait, must import most of its food needs; and there is a rising demand for a more diversified supply of foods that is stimulated by a burgeoning oil-based economy and expanding population. At the present time Saudi Arabia imports about 30 percent of its food products from the United States. However, the U.S. position is being challenged by increasingly vigorous and effective competition from many countries including Japan, the United Kingdom, Thailand, Denmark, and Bulgaria.

When the exhibition was over sales tallies showed that it had been a very successful effort, in terms of both actual and potential sales. On-the-spot contracts were signed for shipments valued at $1,950,000. This figure includes two large rice purchases—one valued at $1 million and another at $250,000. Negotiations are underway for potential sales of $10 million to $15 million over the next year. In addition, the owner of Jeddah's two largest hotels enjoyed the U.S. foods he sampled so much that he is planning a U.S. food promotion in his hotel restaurants.

Above, a Saudi merchant inspects the traditional Shami bread prepared from U.S. wheat. Below, rice, a staple of the diet, attracted much attention in both Kuwait and Saudi Arabia.

The Attache's office reports on

Recent Developments in Australian Agriculture

The stories that follow are based on dispatches from the Office of the U.S. Agricultural Attaché, Canberra, Australia.

Wheat Industry Problems

The only apparent solution at this stage to the Australian wheat industry's problems is curtailing production and reducing stocks, said J. D. Anthony, Australia's Minister for Primary Industry, in a recent address to the Queensland Graingrowers' Association, Dalby District Council. Reviewing the world wheat situation and Australian producers' problems, he called particular attention to the implications to growers' returns of holding excessive stocks. He stressed the need for tightening delivery quotas to bring supplies in line with available outlets.

Major points in Mr. Anthony's address were the need to devise new methods for longer-term financing of wheat stocks beyond the 12-month Rural Credits advance from the Reserve Bank and the certainty that wheat growers would have to accept production restrictions for some time to come. In discussing marketing prospects, Mr. Anthony for the first time publicly advocated the sale of wheat for stockfeed and said that the industry would have to get away from the narrow view of exports of wheat as a food grain only.

The Minister indicated that, although the International Grains Arrangement (IGA) of 1967 had not achieved all that was hoped of it, he believed that its restraining and stabilizing influence had prevented a disastrous break in prices and provided a valuable forum for international discussions of wheat trade problems. He assured his audience that Australia would make every effort to obtain a viable and effective new agreement when the first 3-year term of the IGA expires next year.

Mr. Anthony referred to U.S. and Canadian efforts to restrain wheat production and gave assurance that Australia will continue to seek rational production policies in countries which are boosting uneconomic production and offering wheat at low prices on export markets with little regard for the effects on traditional producers. Mr. Anthony also stressed the need to maintain some degree of harmony in developing production of coarse grains. He said that the Australian Government had always recognized the relationship of wheat prices to the economic stability of the markets for feedgrains in matters of international cooperation affecting the grain trade.

The Minister's statement was one of the most comprehensive and significant made by the government on the wheat situation in the last year. Although the Minister assured wheat growers of support and understanding from the federal government, he stressed the point that the future was largely in their own hands.

Wheat Bills Proposed

An amendment has been proposed to Australia's Wheat Industry Stabilization Act to give effect to the agreement between the Commonwealth and the States for a quota system on wheat deliveries. It also gives discretionary authority to the Australian Wheat Board to sell wheat in Australia for purposes other than human consumption at prices lower than those set for milling wheat. The amendment, introduced recently by J. D. Anthony, Minister for Primary Industry, is expected to be passed.

Under the amendment, the Board will operate a pool for quota wheat only, rather than for all wheat delivered in a season as provided by the Act. Wheat delivered in excess of the quota will be accepted as overquota wheat and not be taken into the quota pool unless it is sold and paid for in full during the season. The bill leaves allocation of quotas to State legislation.

The bill also gives effect to the pricing provisions for wheat sold for stock-feed and industrial uses. Under the Act, the home consumption price for all wheat was uniform regardless of end use. Under the amendment, the Wheat Board has authority to sell wheat to feed millers and industrial users below the guaranteed home consumption price. Each of the States, which are responsible for price control, enacted legislation to put these minimum price changes into effect during November and December 1969.

On the same day, the Federal Treasurer introduced legislation to lend the Wheat Board funds to repay the Reserve Bank part of the A$624 million that it borrowed on the 1968-69 wheat crop. The Board's income from wheat sales was not enough to meet the March 31, 1970, deadline for the final repayment, leaving the Board about A$250 million in debt to the Bank. (In U.S. currency, the original debt was about $700 million; the amount still owing, $280 million.)

Under the bill the Federal Government's loan to the Board will be subject to interest payments similar to those now charged for government-guaranteed loans by the Rural Credits Department of the Bank. The Australian Loan Council has agreed to the Commonwealth's undertaking special borrowing to raise the money. The Board anticipated that it will take 15 months to repay the loan.

Sugar Agreement Legislation

J. D. Anthony, Australia's Minister for Primary Industry, has introduced legislation to give effect to the new 5-year sugar agreement between the Commonwealth of Australia and the State of Queensland. This agreement will regulate the production and marketing of sugar for the period July 1, 1969, to June 30, 1974. The legislation was considered certain of passage without amendment.

Under the agreement (which has been in operation since its signing on Sept. 25, 1969), Queensland continues to control the production of raw sugar and supplies sugar domestically at agreed maximum wholesale prices. The Commonwealth Government has agreed to maintain its embargo on importing sugar, sugar products, golden sirup, and treacle.

Rebates on sugar used in processed products are continued under the new agreement. These rebates, which stabilize fruit prices, are to help growers of fruits used in processed packs. Under the export sugar rebate, exporters of the prescribed products obtain sugar virtually at the lowest import

parity price. The domestic sugar rebate is $A15 per long ton of sugar used in all approved products sold locally.

The previous Commonwealth-Queensland sugar agreement of 1962 expired on August 31, 1967, but pending the outcome of negotiations for a new International Sugar Agreement, the old agreement was extended twice by exchange of letters for a period of 1 year.

Dairy Scheme To Be Strengthened

The Australian Dairy Industry Council has unanimously endorsed proposals to give statutory support to a voluntary dairy industry equalization scheme. The scheme would impose separate levies on the production of butter, cheese, casein, and other prescribed dairy products. The levy proceeds would be used to make equalization payments on exports of products coming under the scheme at the rate required to increase the level of the export return to the level of the local return. Legislation which J. D. Anthony, Minister for Primary Industry, announced he hoped to introduce, would strengthen the voluntary scheme.

Under this legislation, a compulsory equalization scheme for a particular product or products would be implemented only if specifically needed—for instance, if an important manufacturer withdrew from the voluntary scheme.

Implementation of the scheme would be conditional on a simple majority vote of dairy farmers under a referendum conducted by the government.

Butter Sales to U.K. To Increase

Australia's Deputy Prime Minister and Minister for Trade and Industry, John McEwen, said recently that, under arrangements just concluded, Australian producers were assured access to the British market for 67,600 tons of butter—2,500 more than last year—in the 1970-71 quota year. This butter is valued at about $43 million at current prices (about US$48 million).

McEwen was commenting on the British announcement of a 1970-71 butter import quota of 425,000 tons, compared with 397,000 tons in 1969-70.

The United Kingdom's arrangements for butter, which are very important to Australia and other major suppliers, were introduced in the early 1960's, McEwen said, when the British market was being seriously disrupted by low-priced imports, particularly from Europe. The effect of the quotas has been to provide security of access for traditional suppliers to the world's largest market for imported butter.

McEwen also confirmed that all major suppliers including Australia had agreed to continue restraint arrangements which limit supplies of Cheddar-type cheese to the U.K. market. He said that these restraints were designed to stabilize the market and to insure that suppliers received a better return on sales.

The Australian Dairy Produce Board had been closely consulted at all stages of the consultations on butter and cheese with the British authorities, McEwen said.

A Survey of Wheat Stocks in the European Community

At the beginning of its 1969-70 marketing season, the EC Commission estimated that it had a soft wheat surplus of 5.3 million metric tons, including its existing intervention stocks.

The Commission estimated—using import and export certificates issued so far, the prospective imports, and the food-aid requirements for the 1969-70 program—that the volume of soft wheat as of early February was about 2 million metric tons. A total of 3 million metric tons of soft wheat will be used this season for animal feed after denaturization. However, during the first 5 months (August-December) 1.6 million tons had already been denatured. Thus it can be expected that the season's total denaturization may reach 4 million metric tons. The estimated February surplus would thus be only 1 million metric tons.

Intervention stocks of soft wheat in the EC as of early March were 2.2 million metric tons, comprised of 147,000 metric tons in France, 1.5 million metric tons in Germany, and 569,000 metric tons in Italy. The intervention stocks in France and Italy are for the most part already committed for sale on the domestic market, for food aid, and for current exports.

In West Germany it was expected that out of the so-called Intervention B (government financing of private stockpiling) some 1.0 to 1.5 million metric tons of soft wheat would end up under Intervention A (in federal storage). Of course the volume that finally moves into Intervention A is dependent on the sale possibilities of wheat both internally and to third countries. The total intervention stock of soft wheat in West Germany then would be about 2.5-3.0 million metric tons. This volume will of course decline during the remainder of the marketing season as a result of deliveries under the food aid program, exports to third countries, and shipments to supply the intra-EC market.

The French say that their stocks of soft wheat as of mid-January only amounted to 500,000 metric tons. Furthermore, they said that sowings of winter wheat for the 1970 crop were 988,400 acres below 1969 sowings. While this lower acreage will probably be compensated by a higher spring wheat acreage, the average yields of spring wheat are generally lower than for winter wheat.

In the Netherlands an estimated 60,000 to 70,000 metric tons will be available for sale.

Thus, the surplus of soft wheat as calculated in early February is noticeably lower than was earlier anticipated. The surplus is mainly in the hands of the intervention agency in West Germany. Purchases of soft wheat in France and the Netherlands are hampered by limited stocks which are still available for sale on the open market. Purchases of soft wheat in West Germany are only possible when such a high price is paid that it fully compensates the advantages from the Intervention B regulation.

As a result of these four situations, and also because of pressure from France, the EC is following a more careful policy toward height of export restitutions for exports of soft wheat to third countries.

It is still not known whether the more or less limited stock position will also result in a reduction in the denaturization premium during the remainder of the season. EC Commission officials have said that at this moment no such reduction is being considered.

—Based on dispatch from Brice K. Meeker
U.S. Agricultural Attaché, The Hague

CROPS AND MARKETS SHORTS

Weekly Rotterdam Grain Price Report

Current prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago, are as follows:

Item	April 22	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba	1.97	0	1.94
USSR SKS-14	(1)	(1)	1.84
Australian Northern Hard	1.75	0	1.86
U.S. No. 2 Dark Northern Spring:			
14 percent	1.87	−1	1.89
15 percent	1.97	0	1.91
U.S. No. 2 Hard Winter:			
13.5 percent	1.82	+3	1.81
Argentine			
U.S. No. 2 Soft Red Winter	(1)	(1)	1.80
Feedgrains:	1.64	0	1.68
U.S. No. 3 Yellow corn	1.60	+2	1.40
Argentine Plate corn	1.61	+3	1.43
U.S. No. 2 sorghum	(1)	(1)	1.33
Argentine-Granifero			
Soybeans:	1.33	0	1.20
U.S. No. 2 Yellow	3.08	+2	2.91

[1] Not quoted.

Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

Japanese Grain Imports Forecast Up

Total Japanese grain imports are forecast to increase about 1.7 million metric tons during the fiscal year 1969-70 from a year earlier. Feedgrains will probably account for over 85 percent of the grain, and wheat the balance; rice imports are expected to decline.

Outlook fiscal year 1969-70

Feedgrain imports over the past 5 years have shown a rapid and dramatic growth—an average of about 14 percent a year. These imports increased from just under 5 million tons in 1964 to a forecast of just under 10 million this year. The gain this year over last is forecast at 17 percent or 1.5 million tons.

Almost 1 million tons, or two-thirds, of the increase is expected to be in sorghum imports, while corn, barley, and oats gains are forecast at about 400,000, 80,000, and 60,000 tons, respectively. The increase in imports is attributed primarily to the greater emphasis being placed on output of livestock and poultry.

Wheat imports have been fairly stable over the past 5 years, growing at an annual average rate of about 3½ percent. Imports this year are expected to be around 4.4 million tons compared with 4.2 million a year ago. Indications are that per capita consumption of wheat for food use has about leveled off.

Rice imports, which are negligible because of large rice surpluses, are expected to amount to only about 50,000 tons compared with almost 190,000 tons last year. In fact, Japan has shipped 300,000 tons to Korea (on a loan basis) and has agreed to loan 100,000 tons to Pakistan. Japan is also supplying 32,000 tons to Indonesia under the Food Aid Convention of the International Grains Agreement. Aid to Nigeria through the Japanese Red Cross accounts for another 5,000 tons, and 32,000 tons are being provided for Okinawa.

JAPANESE GRAIN IMPORTS

Item	Fiscal year 1968-69	Fiscal year 1969-70[1]	Change	July-February 1968-69	July-February 1969-70	Change
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Wheat, wheat flour[2]	4,183	4,450	+267	2,720	3,006	+286
Corn	5,287	5,700	+413	3,508	3,850	+342
Sorghum	2,500	3,400	+900	1,562	1,962	+400
Barley	639	720	+81	481	507	+26
Oats	44	109	+65	19	64	+45
Rice	189	50	−139	156	23	−133
Total	12,842	14,429	+1,587	8,446	9,412	+966

[1] Estimated. [2] Does not include a deduction for flour exports, which amount to around 80,000 tons per year.

Japan: Exports and imports, except for fiscal year 1969-70.

Summary July-February 1969-70 [1]

Feedgrain imports through February were over 800,000 tons or about 14 percent ahead of last year. The U.S. market share was 68 percent this period compared with 53 percent a year earlier. Last year's U.S. dock strike and much larger export availabilities in South Africa were major factors bearing on the lower U.S. market share. This year, South African sales were only 18,000 tons, compared with over a million last year.

Wheat imports through February ran 10 percent ahead of a year earlier. The U.S. share of the market was 50 percent compared with 44 percent a year earlier when U.S. sales were hampered by quality problems and other factors.

Rice imports dropped from 156,000 tons a year earlier to only 23,000 tons this period. The large domestic surplus was the main reason for the decline.

[1] See April issue of *World Agricultural Production and Trade* for country breakdown of import statistics for July-December 1968 and 1969.

Canada Sells Wheat to Bulgaria

Canada has sold 50,000 tons of grade No. 3 wheat to Bulgaria for April-May shipment. Aside from the contract with the USSR and a sale of 70,000 tons to Poland in September 1969, this is the first sale of Canadian wheat into East Europe in over a year.

U.S. 1971 Wheat Quota and Allotment

The U.S. Department of Agriculture recently proclaimed a 1971 national wheat allotment of 43.5 million acres along with a national wheat marketing quota of 1,210 million bushels. In accordance with prior law, which becomes effective because of expiration of the Agricultural Act of 1965 as amended, the proclamation had to be issued on or before

April 15 of the year preceding the next wheat crop year.

The announced 1971 allotment is down from 45.5 million acres for the 1970 crop. The 2-million-acre reduction aims for about a 50-million-bushel cut in national carryover in the face of the worldwide overproduction of wheat.

Peru Signs Wheat Import Agreements

Peru has renewed its agreement with Canada to purchase 200,000 tons of wheat over a 1-year period starting September 1970. Interest is at 6¼ percent. A similar 200,000-ton agreement between the 2 countries was signed last summer for September 1969 through October 1970 delivery. According to reports, Peru has also signed an agreement to purchase 100,000 tons of wheat from Australia at $55.90 per ton f.o.b.

Through these 2 agreements Peru has secured nearly half of its 1970 wheat requirements, which are estimated to be 650,000 tons. It is expected that the balance of Peru's wheat needs will be imported from the United States and Argentina.

Ghana's Import Liberalization

Ghana's Finance Minister has announced liberalized treatment for bulk imports of certain agricultural commodities—rice, milk, corned beef, and certain fish. The measure, which was taken to appease consumer dissatisfaction over spot shortages and price increases, exempts these imports from the 180-day credit requirement and places them under open general license. A supplementary foreign exchange allocation of $147 million has also been granted for imports of fresh meat and fish.

India Buys Soybean Oil Commercially

India made its first substantial commercial purchase of soybean oil in March of this year. Trade sources confirm the cash purchase of 10,000 metric tons of soybean oil, of which 3,000 tons were from the United States.

In 1964-65 India received its first appreciable Public Law 480 soybean oil shipments—over 100 million pounds—from the United States. Since that time India has continued to receive large tonnages of P.L. 480 program oil. However, this year's peanut crop, though larger than last year, is inadequate to meet expanding domestic demand. This inadequate crop, coupled with reduced P.L. 480 programing of vegetable oil and tallow this marketing season, has contributed to a tighter supply and demand situation than usual. Thus, for the first time ever, commercial purchases of soybean oil have been necessary.

Danish To Subsidize Horsebeans

The Government of Denmark has announced a subsidy program for the 1970 horsebean and feedpea crops. The subsidy rate is $10.76 per acre up to a total expenditure in 1970 of $1.3 million.

One of the purposes of the subsidy is to make Denmark more self-sufficient in its production of protein feeds. However, an area of 1.235 million acres would be needed in order for Denmark to be able to completely replace all imported protein feeds with domestic. The $1.3 million will subsidize the production of only 124,000 acres.

Production of horsebeans cannot replace all imported protein feeds. (See *Foreign Agriculture*, Mar. 9, 1970.) Feed research has shown that when horsebeans exceed 10 percent of hog rations, efficiency decreases. Hog feed is the only major potential area where soybean meal can be replaced as a protein supplement: Horsebeans are not well suited for poultry feed and very little soybean meal is normally used in Danish dairy cow rations.

Another purpose of the horsebean subsidy program is to divert land from surplus barley production. An area of 124,000 acres under horsebeans would reduce the grain surplus by 100,000 metric tons.

International Sugar Council Quotas

The International Sugar Council in its recently concluded meetings in London agreed that the sugar quotas in effect for 1970 should not be changed from their present level of 90 percent of basic export tonnages. The total Free World market demand in 1970 for sugar was estimated to be 8.632 million metric tons.

This estimate did not include any specific allowance for increased free market demand for sugar deriving from the recent prohibitions by a number of countries on the use of cyclamates. The Council agreed—after weighing all factors affecting the demand for and supply of sugar—that on the evidence presently available there is no indication that there will be any significant imbalance between total supply and total demand on the free market in 1970.

Cocoa Bean Grind Down

First-quarter 1970 cocoa bean grindings by the United States, West Germany, the Netherlands, and the United Kingdom were all below the level of the corresponding period a year ago. The reduction in grind is a reflection of high cocoa bean prices and the increased use of cocoa substitutes and extenders.

U.S. grind for the January-March 1970 period totaled 65,091 metric tons, down 6.2 percent from the same months in 1969. West German grindings were reported at 32,423 tons, a decline of 8.2 percent, and the Netherlands grind was down 2.6 percent to 28,380 tons. Grindings for the United Kingdom declined farthest—11.8 percent to 21,336 tons.

Tea Planting in South Africa

The South African Minister of Economic Affairs, Mr. Jan Haak, speaking at the opening of the first tea processing factory in Tzaneen, said that by 1985 South Africa will be able to produce at least 17 percent of its tea requirements.

Tea consumption in South Africa has been growing at a rate of 3 percent per year; in 1968 tea imports totaled 44 million pounds (20 million kilograms) with a value of $20 million.

Tea planting in South Africa was started in 1964 after a thorough climatic investigation of various areas. In 2 years about 5,000 acres of land in the Transvaal, Natal, and Zululand will be under tea cultivation.

Decreased Yugoslav Hop Production

Yugoslavia's 1969 hop crop is unofficially estimated at 11.2 million pounds, slightly below last year. Severe hailstorms shortly before harvest destroyed 270 acres planted to hops, thus reducing the 1969 crop.

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An estimated 2,315,000 pounds of hops will be consumed by the domestic beer industry during the current marketing year—about 110,000 pounds below last year. Domestic hop consumption is expected to decline following a reduction in the hopping rate (level of hops per gallon of beer) this year.

1968-69 hop exports totaled 9,440,000 pounds—an increase of 187,000 pounds from 1967-68. Hop exports totaled 6,933,000 pounds during the first 3 months of the 1969-70 marketing season (October-December 1969). The leading buyer of Yugoslav hops during this period was the United States, followed by the United Kingdom and West Germany.

SUPPLY AND DISTRIBUTION OF YUGOSLAV HOPS

Item	1966-67	1967-68	1968-69	1969-70[1]
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
Beginning stocks (Oct. 1)	855	672	789	190
Production	12,147	11,684	11,266	11,177
Total supply	13,002	12,356	12,055	11,367
Exports	9,927	9,253	9,440	8,818
Domestic disappearance	2,403	2,314	2,425	2,315
Ending stocks (Sept. 30)	672	789	190	234
Total distribution	13,002	12,356	12,055	11,367

[1] Preliminary.

Hong Kong Imports More Cigarettes

Imports of cigarettes into Hong Kong rose substantially in 1969—a total of 8.5 million pounds valued at $17.3 million, compared with the 7.9 million pounds valued at $15.2 million imported a year earlier. These shipments were composed almost entirely of cigarettes from the United States and the United Kingdom, with the United States making up 69 percent of the total in 1969 and 72 percent in 1968.

Cigarette imports in 1969 rose for the third consecutive year, and this upward trend is expected to continue into 1970. Larger imports of cigarettes for local consumption and declining exports of cigarettes by the Colony's tobacco manufacturers have contributed to a declining need for leaf tobacco.

Although the 1969 imports of unmanufactured leaf—at 13.6 million pounds—are somewhat above the 9.6 million pounds imported a year earlier, they are 14 percent below the 1962-66 average of 17.3 million pounds. Imports from the United States in 1969 totaled 4.4 million pounds and represent more than one-fifth of the total tobacco leaf imports.

HONG KONG IMPORTS OF CIGARETTES AND UNMANUFACTURED TOBACCO LEAF

Country of origin	1968		1969	
	Quantity	Value	Quantity	Value
	1,000 pounds	*1,000 dollars*	*1,000 pounds*	*1,000 dollars*
Cigarettes:				
United States	5,645	11,165	5,856	12,553
United Kingdom	2,041	3,874	2,407	4,527
Other	171	201	198	269
Total	7,857	15,240	8,461	17,349
Tobacco, unmanufactured:				
South Africa	—	—	4,446	1,083
United States	4,497	3,264	4,384	3,724
China, Mainland	1,090	302	2,460	614
South Korea	457	170	1,036	304
Malawi	1,581	561	356	155
Taiwan	619	278	327	84
Mozambique	767	210	193	72
Canada	220	211	127	139
Other	417	69	301	96
Total	9,648	5,065	13,630	6,271

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